

BOARD OF ALDERMEN

ITEM NO. A(3)

AGENDA ITEM ABSTRACT MEETING DATE: February 23, 2010

TITLE: Continuation of a Public Hearing on an Land Use Ordinance Text Amendment – Modifications to Income Limit for Affordable Units and the Proportion of Affordable Units Needed to Determine Other Regulatory Requirements

DEPARTMENT: PLANNING	PUBLIC HEARING YES <u>X</u> NO <u> </u>
ATTACHMENTS A. Resolutions B. Draft ordinance C. Letter from Robert Dowling D. Excerpt, Section 6.0, Housing, <i>Carrboro Vision2020</i> E. Letter from Dowling to Planning Board F. Comments and recommendations	FOR INFORMATION CONTACT: Patricia McGuire – 918-7327

PURPOSE

A draft ordinance that makes changes to the income limit and proportion of affordable units was prepared in follow-up to a request from Robert Dowling of the Community Home Trust. The Board of Aldermen opened the public hearing on this item in November and continued the hearing to allow time for review and refinement of the draft provisions. Staff has begun meeting with builders, developers, and affordable housing providers. Additional time is needed to develop a refined strategy related to income limits and inclusion of units in development projects. Staff recommends that Board of Aldermen continue the public hearing on this matter to May 25, 2010.

INFORMATION

Background information that was provided for previous review of this matter is provided in the paragraphs below. Eight builders/developers of new residential projects in Carrboro joined with staff and Robert Dowling to discuss the draft ordinance and the larger question of creating an affordable housing strategy that would be fair and sustainable over the long term. During this meeting, it was clearly evident that the level of internal subsidy that has been needed to support the provision of affordable housing units within new residential developments is cost-prohibitive under the current market conditions. The question of the extent to which the private development community/owners of new residential dwelling units should be required to subsidize new affordable units was also raised. Participants in the meeting were forthright and expressed a willingness to commit additional time to revising the strategy. Staff was charged with evaluating the conversation/information and seeking alternatives that the group could review. Two options for subsequent meeting formats were noted. The first option involves continuation of the format used to date, with planning staff, development community, and affordable housing providers involved. The second option would include expansion of the working group to include members of the Board

of Aldermen. A resolution providing an opportunity for the Board to select representatives to work on this matter is provided. (*Attachment A-2*)

See attached letter requesting the change (*Attachment C*). The letter requests two changes. First, lowering the income limit for buyers of affordable homes to 65 percent of the median income. And, second, that the percentage of affordable units provided be reduced to less than 15 percent. Though an alternative percentage was not specified in the letter, during the summer meeting, 12 percent was suggested by Mr. Dowling as it is proportionally equivalent to the reduction in income levels. Staff evaluated the information and selected a reduction to 12.5 percent. Since Carrboro Vision 2020, policy 6.18 (*Attachment D*) states that fifteen percent affordable housing is the Town's goal, a corresponding amendment to that document may be needed.

Draft Ordinance

The draft ordinance includes the following changes to affordable housing provisions in the Carrboro Land Use Ordinance:

- 1) Section 15-182.4, enacted in 1999, establishes the residential density bonus for affordable housing. This ordinance modifies the percentage desired from fifteen to twelve and a half in the statement expressing the Town's policy goal for the provision of affordable housing within all new residential developments.
- 2) Within this same section, the draft ordinance revises the income limit, upon which the sale price for an affordable housing unit will be based, from 80 percent of the area median income to 65 percent of the area median income. The current median income for the Durham-CH MSA is \$65,500.
- 3) Section 15-54.1 describes the process by which payments can be made in lieu of providing affordable housing units. This section also specifies that whenever a project does not include fifteen percent affordable units, a review meeting with the Board of Aldermen is required. The draft ordinance changes the policy reference and applicable thresholds in this section from fifteen percent to twelve and a half percent.

Staff has had additional conversations with Robert Dowling regarding this ordinance and has determined that the reduction may not be sufficient to ensure a sustainable supply of affordable units. Since housing of high quality is still desired, the subsidy burden to the developer can be expected to increase to an amount somewhat less than that occurring now as the developers cut costs as much as possible in the units that are constructed to serve families at a lower income level. The need for additional community subsidy will have been removed, however. A letter from Dowling to the Planning Board explains some of these issues (*Attachment E*). Absent further reduction and anticipating that the pricing /percentage may still represent a burden, the Town might anticipate additional developers seeking to make payments-in-lieu of affordable units.

Section 15-188 of the Land Use Ordinance is believed to have a significant effect on the provision of affordable housing (see Table below). Subsection (h) of this section exempts residential developments from the size-limited requirements whenever 85 percent of the affordable housing density bonus, which results in roughly 15 percent affordable units, is provided. Without a change

to Section 15-188, developers will be left to choose between 25 percent size-limited and approximately 15, not 12.5, percent affordable.

ProjectName	Address	AppDate	UnitsApp	AffPct	AffUnits	Bonus	SizeLimUnits*
Pacifica Cohousing	130 Hanna Street	6/24/03	46	15	7	6	12
Winmore VMU	1318 Homestead Rd.	6/10/03	242	20	58	0	86
Mulberry Street Apartments	103 Mulberry Street	11/15/00	12	8	1	1	N/A
Twin Magnolias Condominiums	107 Jones Ferry Road	11/12/02	23	9	2	1	N/A
Claremont AIS	1018 Homestead Rd.	11/22/05	79	15	12	12	0
Legends at Lake Hogan Farms	8112 Old NC 86	8/22/06	64	15	10	7	16
Ballentine	Old NC 86	8/28/07	96	18	17	0	0
The Butler	120 Brewers Ln	8/26/08	57	15	9	0	39
The Alberta	201 Maple Ave	9/11/07	23	15	3	0	20
Lloyd Harbor AIS	201 Quail Roost Drive	9/22/09	16	18	2	2	0
Roberson Square	201 S. Greensboro St	2/26/08	18	15	3	3	0
Claremont II	1001 Homestead Road	3/17/09	96	15	16	5	0
Active Projects – not yet approved							
Litchfield AIS	900 Homestead Rd		(31)	(15)	(7)		
Carolina Commons	1500 Claymore Rd		(166)	“ “	(25)		
Oasis Grove Court	100 Gail Ct		(14)	“ “	Unknown		
400 Roberson Street	400 Roberson Street		(23)	“ “	unknown		

In addition to the communication with Dowling, staff has had the opportunity to speak with developers of several residential projects who have provided, or committed to provide, affordable units in accordance with Town policy and regulations. These developers have been very forthright in sharing information about their projects and concerns about the existing provision and the proposed change as it presents additional costs to them during a time of great uncertainty in the /building business. It should be noted that, in addition to the increased internal subsidy that will be needed per unit in relation to the reduction in the cost/value of an affordable unit, costs that are not passed on to purchasers of affordable units include land and infrastructure costs, holding/financing costs, impact fees, unsubsidized/unreimbursed construction costs. Based on information received to

date, the average subsidy for affordable homes in Orange County, which represents the difference between the appraised value and the sale price of the homes, was about \$70,000 per unit in FY 2008-2009.

At the present time, staff does not feel that the ordinance sufficiently captures the pricing and proportion requirements that will make affordable housing provisions fair and sustainable. Staff suggests that the Board of Aldermen continue the public hearing to May 25, 2010 to allow time for additional discussion, review and ordinance revisions.

The draft ordinance was referred to Orange County and the Planning Board. Orange County has found no inconsistency with the proposed change. The Planning Board supports the continuation of the public hearing to provide time for additional review (*Attachment F*).

STAFF AND FISCAL IMPACT

None noted.

RECOMMENDATION

The staff recommends that the Board of Aldermen consider continuing the public hearing on this matter to May 25, 2010 and select up to three representatives to work with staff and members of the community on revisions to the town's affordable housing regulations.